



# The City of Scottsdale Economic Trends

September 2004  
Economic Vitality Department



# 2004 ECONOMIC TRENDS

September 2004

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## **INTRODUCTION**

This Economic Trends Analysis provides detailed information on the Scottsdale economy that give the reader a capsule summary of what sets Scottsdale apart from other cities. This analysis contains a historical overview of local economic indicators, a comparison of Scottsdale to the balance of the metro area, and analyses of future activities and trends.

The Phoenix metro area economy has begun a slow recovery, in response to national economic trends. Growth is expected to continue a slow growth in Scottsdale and the rest of the Phoenix metro area, after the large expansion over the past decade.

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## **EXECUTIVE SUMMARY**

### **POPULATION/DEMOGRAPHICS**

- Scottsdale is the fourth largest city in the metro Phoenix area. During the 1990s, the City of Scottsdale experienced an average annual population growth rate of 5.6 percent. The metro area experienced a lower rate of growth at 4.7 percent during the same period. Since 2000, population growth rates in Scottsdale have slowed slightly, with 2003 seeing a population growth rate of 3.6 percent.
- Median household income in Scottsdale was 27 percent higher than the average for the metro Phoenix area in 2000.

### **EMPLOYMENT**

- Scottsdale is a net importer of employees, with job growth exceeding labor force growth in the city by a ratio of 1.3 to 1.
- Scottsdale's average unemployment rate for the first six months of 2004 was 3.1 percent, down from 3.6 percent in 2003. Scottsdale has the lowest unemployment rates in the metropolitan area. In calendar year 2003, Scottsdale's average unemployment rate was at 3.6 percent, 28 percent lower than the metro area rate.
- In FY 2003/2004, 11 companies moved to or expanded in Scottsdale, adding 1,800 jobs to the market.
- Scottsdale's employment base is highly diversified with tourism, retail, bio-medical, high-technology, and business service related industries all playing important roles in the economy. Major employers include: Scottsdale Healthcare, General Dynamics, Mayo Clinic, Scottsdale Unified School District, Caremark-AdvancePCS Health Systems, the City of Scottsdale, the Vanguard Group, Scottsdale Princess Resort, Scottsdale Insurance Company, and Dial Corporation.

### **BUILDING ACTIVITY**

- Fiscal year 2003/2004 showed an increase residential building permits for the housing market in Scottsdale after several years of decline. A total of 2,013 residential units were permitted in fiscal year 2003/2004. Single-family residences accounted for 1,191 of the total units permitted.
- The value of Scottsdale's building permits in calendar year 2003 was \$637.7 million with 9.1 percent of all permit valuation in Maricopa County, even though Scottsdale has only 6.4 percent of the county's population.

- Commercial vacancy rates for Scottsdale at the end of the first quarter 2004 were below the metro averages for industrial and office spaces, at 11.5 and 15.9 percent, respectively. Retail vacancy rates rose above the metro average to 6.8 percent. This rise in vacancy can be attributed to the roughly one million square feet of retail space added from construction in 2002-2003. Raw industrial and commercial properties are being purchased at a rapid rate in the Scottsdale Airpark area.

## **TAX ACTIVITY**

- The total assessed value of Scottsdale property (the value on which property taxes are calculated) is second only to Phoenix in the State. Assessed valuation has risen 184 percent in the last 10 years. Scottsdale has the highest assessed valuation per capita in the metro area, at \$18,274.
- The property tax rate for the City of Scottsdale currently averages about 40 percent lower than other city's property tax bills in the metropolitan area.
- The total sales tax collection for fiscal year 2003/2004 was 6.7 percent higher than collection in the previous fiscal year, totaling \$118.3 million.
- Sales tax collections per capita for Scottsdale are consistently the highest of all metro communities.

## **TOURISM, EDUCATION, TRENDS**

- Tourism is Scottsdale's single largest industry and was responsible for nearly \$7.2 million in bed tax receipts for the City of Scottsdale in 2003. The 2003 average room rate was \$130.84.
- The average occupancy for Scottsdale/Paradise Valley hotels in 2003 was 63.2 percent.
- Scottsdale's K-12 education competes quite favorably in the metro area. Its standardized test scores rank considerably higher than most other metro area school districts.
- Scottsdale's general obligation bond rating by Fitch IBCA is AAA. In 2001, both Standard & Poor's Rating Service and Moody's Investor Service upgraded the City's rating to AAA. Scottsdale is one of only nine cities across the nation with a AAA rating. A high bond rating reflects the credit industry's faith in Scottsdale's ability to repay outstanding debt.

## **I. DEMOGRAPHIC OVERVIEW**

This section examines basic comparisons of population and income for Scottsdale and other major cities in the metro area (Phoenix, Mesa, Glendale, Chandler, Tempe, Gilbert and Peoria) as well as for the Phoenix metro area as a whole.

### **Population**

Table 1 and Chart 1

From 1990 to 2000 Scottsdale grew faster than all other major communities in metro Phoenix except Gilbert, Peoria, and Chandler. Since 1990, Scottsdale's population has grown 61 percent at an annual average rate of 6.1 percent per year. During the 1990s, Gilbert grew an astonishing 319 percent at an annual average rate of approximately 32 percent per year. Peoria grew 131 percent at an annual average rate of 13 percent per year. Chandler grew 106 percent at an annual average rate of nearly 11 percent per year. Scottsdale's population grew 15 percent more than Phoenix metro's population growth in the last ten years (46 percent).

Between 1975 and 2000, Scottsdale grew 169 percent. Many other suburban communities in the Metro Area experienced significantly higher rates of growth during the 1975-2000 period; including Gilbert (3,439 percent), Peoria (1,153 percent), Chandler (782 percent), Mesa (296 percent), and Glendale (229 percent). Overall metro Phoenix grew 135 percent during this twenty-five-year period.

The population of Scottsdale in July 2003 was approximately 217,555. The metro Phoenix area's estimated population was approximately 3,396,875 in July 2003.

### **Income**

Table 2 and Chart 2

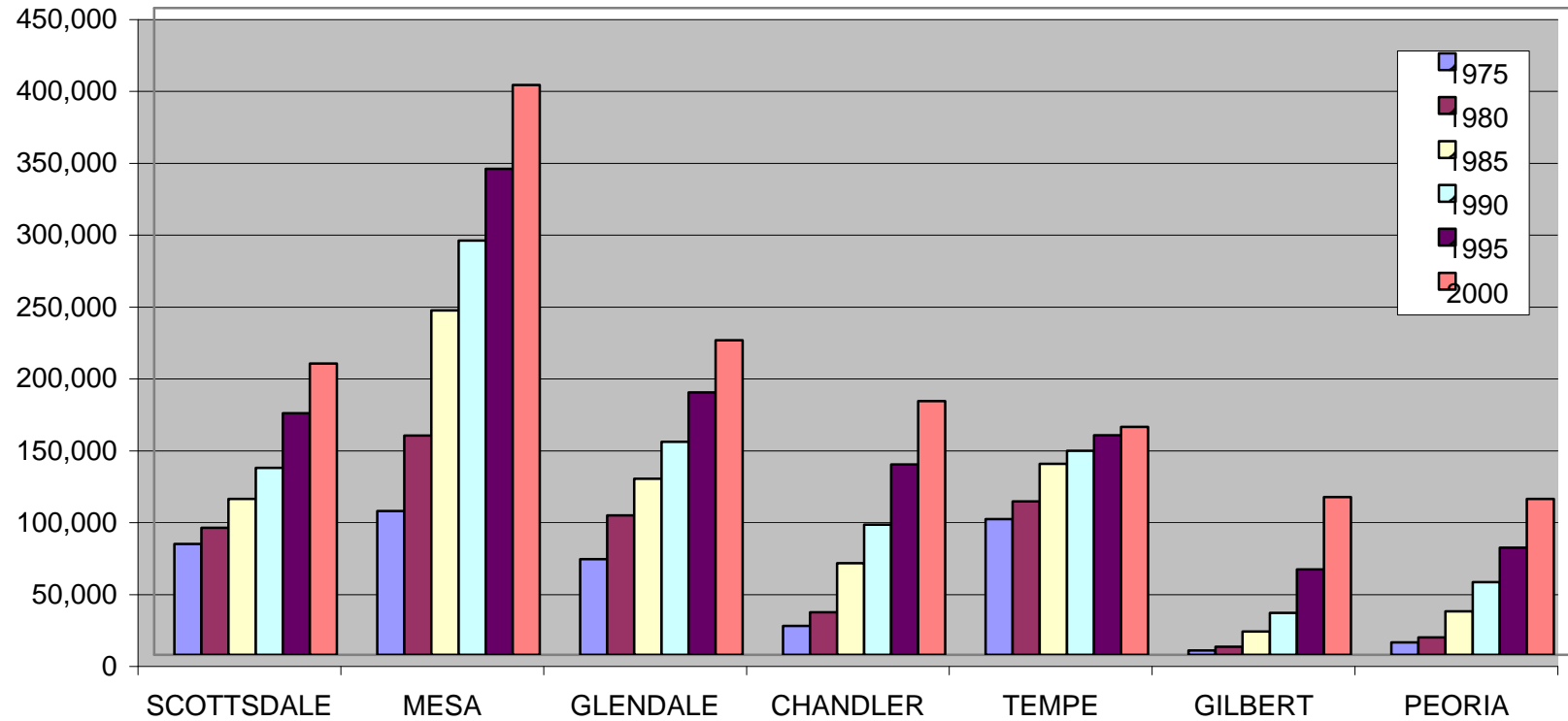
Scottsdale consistently has one of the highest median household income figures of any city in Arizona. The median annual household income of Scottsdale residents was \$57,484, compared to the metro area average of \$45,358. Growth in median household income in Scottsdale between 1990 and 2000 was 47 percent, which was equal to the growth in the metro Phoenix area.

**Table 1**  
**Population and Growth Rates**

<b>Year</b>	<b>Scottsdale</b>	<b>Phoenix</b>	<b>Mesa</b>	<b>Glendale</b>	<b>Chandler</b>	<b>Tempe</b>	<b>Gilbert</b>	<b>Peoria</b>	<b>Metro</b>
<b>POPULATION</b>									
1975	77,107	668,046	100,086	66,585	20,025	94,300	3,100	8,651	1,217,500
1980	88,364	789,704	152,453	96,988	29,673	106,743	5,717	12,171	1,509,052
1985	108,447	873,400	239,587	122,392	63,817	132,942	16,180	30,324	1,814,700
1990	130,069	983,403	288,091	148,134	90,533	141,865	29,188	50,675	1,952,447
1995	168,176	1,149,417	338,117	182,615	132,360	152,821	59,338	74,565	2,551,765
2000	202,705	1,321,045	396,375	218,812	176,581	158,625	109,697	108,364	2,862,909
2001*	209,960	1,344,775	414,075	224,970	186,875	159,435	122,360	117,200	3,192,125
2002*	214,090	1,365,765	427,550	227,495	194,390	159,425	133,640	122,655	3,296,250
2003*	217,555	1,387,670	434,215	230,610	208,450	159,615	151,290	126,410	3,396,875
% of Maricopa County in 2003	6.4%	40.9%	12.8%	6.8%	6.1%	4.7%	4.5%	3.7%	100%
<b>1975-2000 GROWTH RATES</b>									
Absolute Growth	130,038	652,999	296,289	152,227	156,556	64,325	106,549	99,713	1,645,409
Percentage Growth	162.9%	97.7%	296%	228.6%	781.8%	68.2%	3,438.9%	1,152.6%	135.1%
Annual Growth	6.5%	3.9%	1.8%	9.1%	31.3%	2.73%	137.6%	46.1%	5.4%
<b>1990- 2000 GROWTH RATES</b>									
Absolute Growth	72,636	337,642	108,284	70,678	86,048	16,760	80,509	57,746	910,462
Percentage Growth	55.8%	34.3%	37.6%	47.7%	95%	11.8%	275.8%	114.1%	46.6%
Annual Growth	5.6%	3.4%	3.8%	4.8%	9.5%	1.2%	27.6%	11.4%	4.7%
* Arizona Department of Economic Security, Population Estimates									

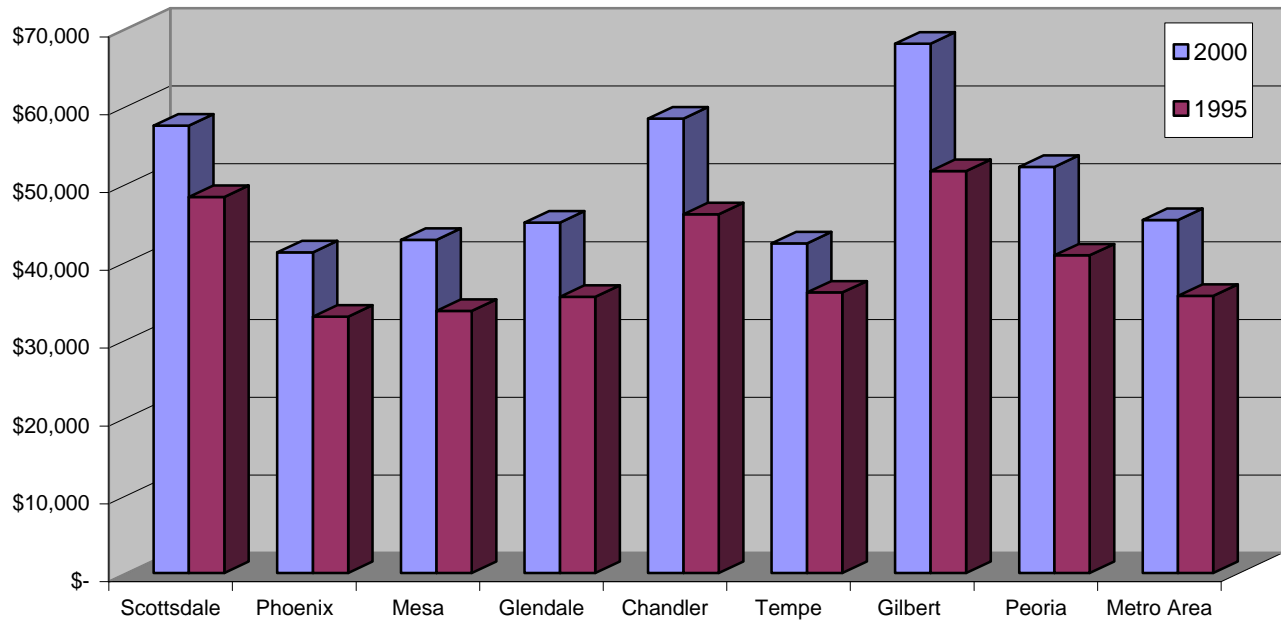


**Chart 1**  
**Population Comparison**  
**1975 - 2000**



Sources: US Census Bureau, Department of Economic Security

**Chart 2  
Median Household Income**



**Table 2  
Median Household Income**

City	2000 Median HH Income	1995 Median HH Income	1990 Median HH Income	Growth Rate
Scottsdale	\$ 57,484	\$ 48,319	\$ 39,037	47%
Phoenix	\$ 41,207	\$ 32,950	\$ 29,291	41%
Mesa	\$ 42,817	\$ 33,676	\$ 30,273	41%
Glendale	\$ 45,015	\$ 35,483	\$ 31,665	42%
Chandler	\$ 58,416	\$ 46,096	\$ 38,124	53%
Tempe	\$ 42,361	\$ 36,049	\$ 31,885	33%
Gilbert	\$ 68,032	\$ 51,660	\$ 41,081	66%
Peoria	\$ 52,199	\$ 40,820	\$ 34,205	53%
Metro Area	\$ 45,358	\$ 35,623	\$ 30,797	47%
<b>Scottsdale median income as compared to Phoenix metro area median income -</b> <b>Scottsdale is higher by:                      27%                      36%                      27%</b>				

Source: Sites USA, 2000 US Census, 1995 Special US Census, 1990 US Census

## II. EMPLOYMENT OVERVIEW

This section examines factors relating to employment, including the number of jobs in the community, job growth rate, unemployment rates, and a comparison of job growth to labor force and population growth. These factors help one to better understand the economic nature of the community.

### Scottsdale Employment

Tables 3 and 4

Table 3 provides a breakdown of Scottsdale's employment by industry for 2000 and projected for 2010. Business services and retail trade are the largest employment categories for 2000 and projected for 2010. The City of Scottsdale is expecting employment to grow by approximately 27,600 jobs, or 21 percent, over the next ten years. Most industry categories will remain flat over the next ten years. However, FIRE (Finance, Insurance, and Real Estate) employment is expected to decline while business services are projected to expand. \*

**Table 3**  
**Scottsdale Employment by Industry and Year**

	2000		2010	
	Employment	Percent	Employment	Percent
Agriculture	1,918	1.5%	2,225	1.4%
Mining	122	0.1%	123	0.08%
Construction	7,077	5.5%	7,938	5.1%
Low Tech Manufacturing	2,985	2.3%	3,639	2.3%
High Tech Manufacturing	8,138	6.3%	8,762	5.6%
Transport	3,842	3.0%	4,038	2.6%
Wholesale Trade	6,674	5.2%	8,378	5.4%
Retail Trade	18,725	14.5%	23,507	15.0%
Finance, Insurance, Real Estate	16,440	12.8%	18,141	11.6%
Business Services	26,848	20.9%	36,081	23.1%
Health Industry	12,785	9.9%	14,934	9.6%
Hospitality	14,652	11.4%	17,900	11.4%
Personal Services	8,446	6.6%	10,600	6.8%
TOTAL	128,652	100.0%	156,267	100.0%

Source: Gruen Gruen & Associates, "Analysis and Forecast of the Economic Base of Scottsdale," June 1999.

\* Note: Data is generally updated every five years

Table 4 lists the 25 largest employers in Scottsdale as of August 2004. Most are technology companies, retailers, resorts, insurance companies, health care, education, and other service activities.

**Table 5**  
**Largest Employers in Scottsdale**

<b>Rank</b>	<b>Company Name</b>	<b>Employees</b>
1	Mayo Clinic	3,960
2	Scottsdale Healthcare Corporation	3,690
3	General Dynamics	3,400
4	Scottsdale Unified School District	3,000
5	City of Scottsdale	2,111
6	AdvancePCS, Inc.	2,023
8	Scottsdale Insurance Company	2,000
9	Scottsdale Princess Resort	1,100
10	The Vanguard Group	1,100
11	Phase II Solutions	800
12	Desert Mountain Properties	725
13	United States Postal Service - Scottsdale	686
14	McKesson Health Solutions	700
15	The Boulders Resort	680
16	JDA Software Group, Inc.	650
17	First Health Group	610
18	Rural Metro Corporation	608
19	United Blood Services	602
20	Dial Corp	600
21	Pegasus Solutions	600
22	Hyatt Regency at Gainey Ranch	450
23	Nordstrom's	450
24	Scottsdale Community College	400
25	Scottsdale Conference Resort	400
26	Scottsdale Plaza Resort	375
27	Costco	350
28	Dillards	350
29	Radisson Resort-Scottsdale	350
30	Best Software CRM Division	347

**Source:** City of Scottsdale, August 2004

## **Job Growth versus Labor Force and Population Growth**

Table 5

One method by which the economic vitality of a city is measured is to compare rates of job growth with rates of growth of the labor force and overall population growth (Table 5). Between 1990 and 2000, Scottsdale experienced a 30 percent increase in job growth (jobs physically located within the City), while the Metro area experienced an overall increase in jobs of 29 percent. During the same time period, Scottsdale's labor force grew by 30 percent, (persons who live in the city between 18 and 65 years of age who are employed or actively seeking employment) while Scottsdale's population grew by 36 percent. In 2000 there were more jobs located in Scottsdale than the local labor force (1.2 jobs per each Scottsdale resident in the labor force) a trend that has continued over the last 15 years.

In contrast, the Phoenix metro area (Maricopa County) had a ratio of jobs to labor force of 0.97 to 1.0 in 2000. Job growth and labor force growth in metro Phoenix were about the same as population growth, although job growth in Scottsdale was higher for the period.

Traditionally, suburbs have exported labor to the central city; today suburbs are coming into their own as employment centers. Historically Scottsdale was thought of as a bedroom community for Phoenix, however, it is now the greatest net importer of labor of all communities in the metro area.

**Table 5**  
**Job Growth, Labor Force Growth, and Population Growth**

Year	Scottsdale	Maricopa County
<b>JOB GROWTH</b>		
1990	88,967	1,027,007
1995	118,551	1,276,057
2000	126,918	1,454,181
Percent Change 1990 - 2000	43%	42%
<b>LABOR FORCE GROWTH</b>		
1990	72,793	1,074,542
1995	90,579	1,308,729
2000	103,407	1,489,292
Percent Change 1990 - 2000	30%	39%
<b>POPULATION GROWTH</b>		
1990	130,069	2,122,101
1995	168,176	2,551,765
2000	202,705	3,072,149
Percent Change 1990 - 2000	56%	45%
Ratio of Jobs to Labor Force:	1.23 to 1	0.97 to 1

Source: Arizona Department of Economic Security,

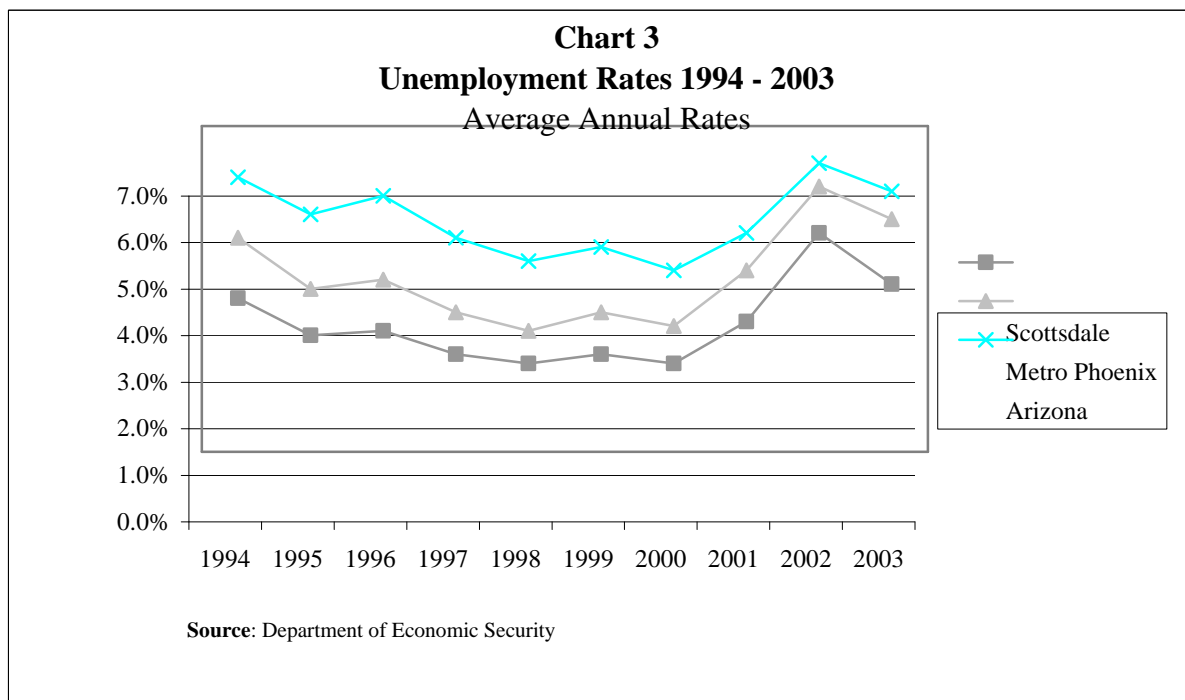
City of Scottsdale Economic Vitality Department

In general, cities that have greater population growth than job growth have a tendency to encounter economic problems during recessionary periods because they tend to have weak economic bases. It is difficult for a city to control its own economic well-being when it is highly residential in nature and has a small economic base.

### **Unemployment Rates**

Chart 3 and Table 6

Between 1994 and 2003, Scottsdale's average unemployment rate ranged between a high of 3.8 percent in 2002, to a low of 1.9 percent in 1998 and 2000. Scottsdale parallels the metro Phoenix and Arizona rates, but always at a significantly lower level. The unemployment rate for Scottsdale has consistently been about 30 percent lower than the rate for the entire metro Phoenix area and over 40 percent lower than the rate for the State of Arizona.



**Table 6**  
**Average Annual Unemployment Rates 1994 – 2003**

<b>YEAR</b>	<b>Scottsdale</b>	<b>Metro Phoenix</b>	<b>Arizona</b>
1994	3.3%	4.6%	5.9%
1995	2.5%	3.5%	5.1%
1996	2.6%	3.7%	5.5%
1997	2.1%	3.0%	4.6%
1998	1.9%	2.6%	4.1%
1999	2.1%	3.0%	4.4%
2000	1.9%	2.7%	3.9%
2001	2.8%	3.9%	4.7%
2002	4.1%	5.7%	6.2%
2003	3.6%	5.0%	5.6%

**Source:** Arizona Department of Economic Security

### **Employment Summary**

#### **Table 7**

Overall, the employment situation for Scottsdale looks very positive. The industries that employ significant numbers of Scottsdale's residents are the ones that still are growing, such as business services. This will help to ensure a continued low unemployment rate.

Table 7 shows the companies with 10 employees or more that the Scottsdale Partnership, consisting of the Scottsdale Chamber of Commerce and the Economic Vitality Department for the City of Scottsdale helped relocate or expand in FY 2003/2004.

**Table 7**  
**COMPANIES RELOCATING/EXPANDING IN SCOTTSDALE**  
 Fiscal Year 2003/04

<b>Company</b>	<b># of Employees</b>	<b>Type of Business</b>
DBL	250	Electronics Distribution
TD2	10	BioMedical Research
Siggrist, Cheek & Potter	13	Financial Services
Scottsdale Mitsubishi	100	Automotive Sales
Aegis Assessments Inc	25	High Tech
Liberty Mutual	200	Insurance
IT Toolbox	20	Software/Internet Support
Nautilus Insurance	250	Insurance HQ
Taser International	180	Security/Weapons
MicroSemi	100	Semiconductor
McKesson	700	Insurance
<b>TOTAL</b>	<b>1,848</b>	

**Source:** City of Scottsdale; Scottsdale Chamber of Commerce



### III. NEW CONSTRUCTION

This section examines trends in new construction activity, as measured by the number and value of building permits. Overall, Scottsdale has historically been one of the leaders in terms of new construction, with significantly higher building permit valuations than expected for a city of this size.

#### **Number of Residential Building Permits**

Table 8 and Chart 5

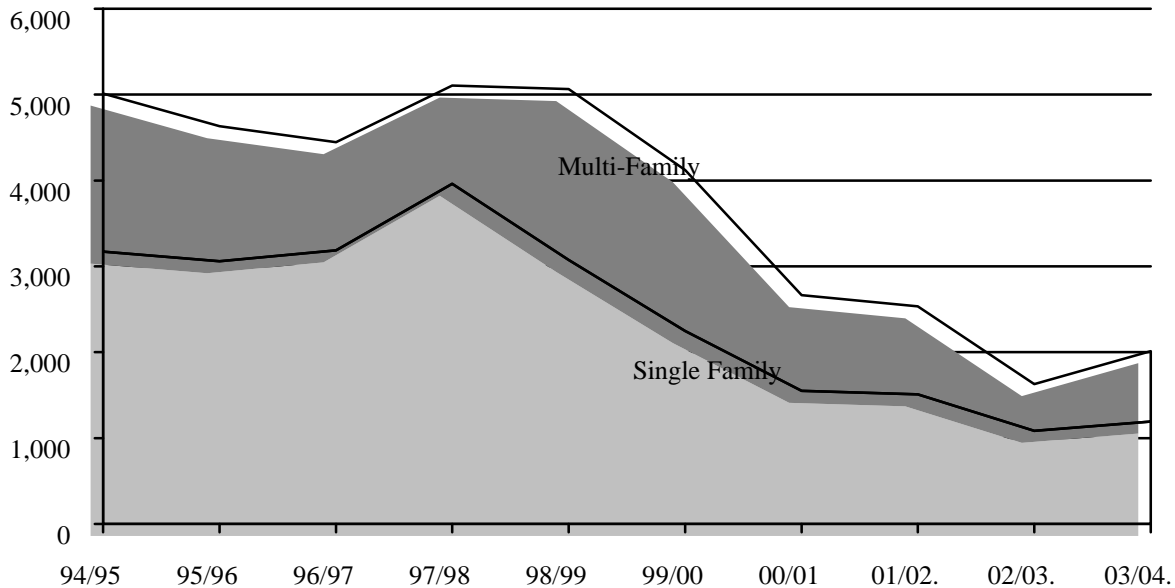
The total number of residential building permits issued in Scottsdale has been steady over the last ten years with a recent decline, due to the city approaching residential build out. The metro Phoenix market was one of the biggest single-family and multi-family housing markets in the US from FY 93/94 to FY 98/99. A total of 2,013 residential permits were issued in Scottsdale in FY 03/04; made up of 1,191 single family and 822 multi-family building permits. The number of permits issued annually remains high, but Scottsdale has seen a declining trend in is approaching build-out and ‘track’ developments become more rare. The increase in permits issued in FY 03/04 indicates that this declining trend has leveled off.

**Table 8**  
**Number of Residential Unit Permits**

<b><u>Fiscal Year</u></b>	<b>Single Family Units</b>	<b>Multi-Family Units</b>	<b>Total Units</b>
94/95	3,173	1,840	5,013
95/96	3,059	1,574	4,633
96/97	3,185	1,262	4,447
97/98	3,960	1,144	5,104
98/99	3,075	1,988	5,063
99/00	2,246	1,875	4,121
00/01	1,550	1,114	2,664
01/02	1,510	1,026	2,536
02/03	1,084	543	1,627
03/04	1,191	822	2,013

**Source:** City of Scottsdale One Stop Shop

**Chart 5**  
**Number of Residential Unit Building Permits**



Source: City of Scottsdale One Stop Shop

### **Value of Building Permits**

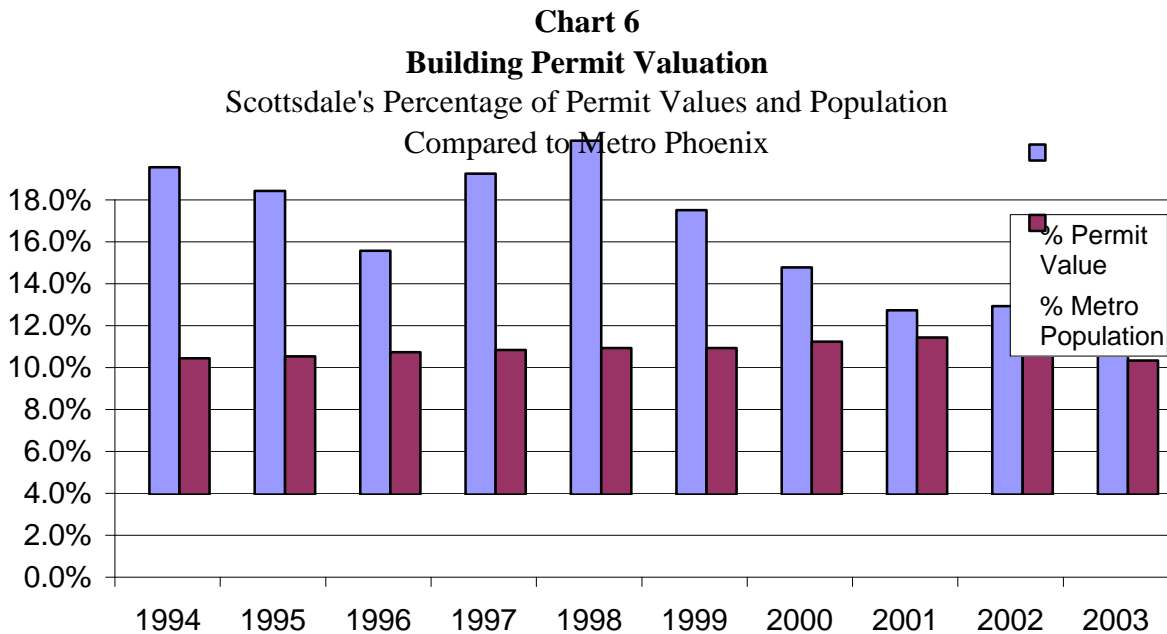
Table 9 and Chart 6

The total value of all building permits granted in Scottsdale in 2003 was \$637.7 million. Chart 6 compares Scottsdale's percentage of permit values and population to that of the Phoenix metro area. Over the last ten years, Scottsdale's building permit valuation, as a percentage of the total for the metro area, has been in the range of 8-17 percent. In 2003, Scottsdale permitted over 9 percent of the Phoenix metro area's building permit valuation, having only 6.4 percent of the metro area's population. Scottsdale is receiving a greater percentage of new construction than would be expected for a city of its size. This trend has continued, but declined in the past 5 years due to decreases in the number of single-family homes.

**Table 9**  
**Value of Building Permits 1994 – 2003**

<b>Calendar Year</b>	<b>Scottsdale</b>	<b>Maricopa County</b>	<b>Scottsdale's Percentage</b>
1994	\$ 765,230,036	\$ 4,898,379,000	15.6%
1995	\$ 788,060,046	\$ 5,440,364,000	14.5%
1996	\$ 790,858,919	\$ 6,798,341,000	11.6%
1997	\$ 1,095,205,453	\$ 7,153,345,000	15.3%
1998	\$ 1,431,771,972	\$ 8,477,796,000	16.9%
1999	\$ 1,130,304,322	\$ 8,324,511,000	13.6%
2000	\$ 939,402,365	\$ 8,665,613,000	10.8%
2001	\$ 820,362,000	\$ 9,332,597,000	8.8%
2002	\$ 610,594,653	\$ 6,751,142,000	9.0%
2003	\$ 637,735,176	\$ 7,039,184,000	9.1%

**Sources:** City of Scottsdale One Stop Shop;  
Arizona Real Estate Center, Arizona State University



**Source:** City of Scottsdale One Stop Shop;  
Arizona Real Estate Center, Arizona State University

## **IV. VACANCY RATES**

This section provides a general overview of commercial rental vacancy rates.

Tables 10 and 11 present commercial rental vacancy rates for various areas of the metro Phoenix area from 1999-2004. The data is broken down into submarkets of the metro area that do not necessarily correspond to specific city boundaries - that is, the Scottsdale submarket also includes portions of the Town of Paradise Valley and the City of Phoenix. Nonetheless, it does identify general trends.

Starting in 2004, the office submarkets of the metro area have been further subdivided, resulting in three separate areas encompassing Scottsdale's office sector (Paradise Valley was also made into it's own submarket area).

### **Office**

Vacancies among office space in Scottsdale rose slightly at the beginning of 2004. The total vacancy rate for the Scottsdale submarkets was 15.9 percent, up from 15.1 percent in 2003. North Scottsdale has been one of the fastest growing office markets in metro Phoenix, keeping a relatively low vacancy rate of 14.1 percent. The amount of vacant Class A space increased due to high levels of construction. Even though the vacancy rates for Scottsdale have risen in the last four years, office rental rates continue to increase; Class A space in North Scottsdale averaged \$25.13/square foot at year end 2003. At the same time, Scottsdale's total office inventory was over 9.6 million square feet.

### **Retail**

Vacancy in the metro Phoenix retail market decreased to 5.9 percent at the end of 2003. Construction of neighborhood centers and power centers continued throughout metro Phoenix following the demand created by residential growth. A trend of redevelopment on older retail centers is expected in the near future. The construction of the Loop 101 freeway has increased the development of retail centers in North Scottsdale and Phoenix along the freeway corridor. At year-end 2003, Scottsdale's retail inventory grew to slightly over 14.0 million square feet, with a vacancy rate of 6.8 percent up from 5.4 percent at the end of last year.

### **Industrial**

The Scottsdale Airpark, the industrial base for Scottsdale and Northeast Phoenix (east of State Route 51) has experienced tremendous growth and in-fill activity this year; Scottsdale's built industrial inventory is almost completely occupied. The trend to locate in the Airpark is expected to continue and positive net absorption is expected. Scottsdale/NE Phoenix industrial inventory for first quarter 2004 was over 15.0 million square feet with 108,255 square feet under construction.

**Table 10**  
**Commercial Vacancy Rates: 1999 – 2004**  
Metropolitan Phoenix  
**Office Submarkets**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004*</b>
Downtown Phoenix	13.6%	8.6%	9.5%	15.7%	14.0%	
Camelback Corridor	9.9%	13.0%	6.8%	18.8%	18.8%	
East Phoenix	13.2%	9.9%	14.8%	19.9%	25.4%	
Freeway/Tempe	8.7%	12.4%	15.9%	22.1%	18.0%	
Mesa/Chandler	5.9%	11.2%	22.9%	21.0%	20.0%	
Northeast Phoenix	3.4%	11.2%	10.6%	25.3%	14.4%	
Scottsdale	10.8%	9.8%	14.6%	21.0%	15.1%	
Uptown Phoenix	7.3%	13.0%	13.2%	23.9%	26.3%	
West Phoenix	8.1%	10.6%	10.9%	26.3%	23.7%	
<b>TOTAL</b>	<b>9.6%</b>	<b>10.9%</b>	<b>12.4%</b>	<b>21.5%</b>	<b>20.5%</b>	

Third Quarter 2003      \*=2004 has new submarket classifications, see Table 11

**Retail Submarkets**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Northwest Phoenix	6.4%	6.2%	5.4%	9.3%	5.3%	
West Phoenix	7.6%	6.7%	5.4%	10.1%	8.9%	
North Central	5.0%	4.6%	3.5%	3.7%	6.7%	
Central Phoenix	8.3%	5.1%	5.7%	7.8%	4.6%	
South Phoenix	2.7%	1.5%	14.8%	16.7%	2.1%	
Scottsdale	7.7%	4.5%	3.8%	5.4%	6.8%	
Tempe	9.2%	7.8%	4.6%	7.9%	5.8%	
Mesa	8.0%	4.7%	6.1%	7.4%	6.0%	
Chandler/Gilbert	5.9%	4.4%	4.8%	6.1%	4.6%	
<b>TOTAL</b>	<b>7.2%</b>	<b>5.4%</b>	<b>5.1%</b>	<b>7.3%</b>	<b>5.9%</b>	

Year End 2003

**Industrial Submarkets**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Black Canyon	10.7%	6.5%	2.2%	7.4%	7.7%	8.1%
Chandler	15.4%	24.8%	6.6%	8.5%	9.7%	11.4%
Glendale	19.2%	13.7%	4.7%	4.7%	4.3%	3.4%
Mesa/Gilbert	13.9%	15.2%	3.9%	15.7%	14.4%	15.7%
Northwest Phoenix	17.6%	15.4%	8.5%	8.0%	9.9%	15.9%
Scottsdale/NE Phoenix	9.8%	7.0%	3.7%	8.6%	10.3%	11.5%
Sky Harbor Airport	10.1%	10.3%	6.2%	11.8%	12.1%	13.1%
Southwest Phoenix	15.6%	23.0%	8.9%	15.9%	16.8%	13.1%
Tempe	12.8%	12.6%	6.0%	11.8%	11.0%	10.9%
West Central Phoenix	10.6%	6.9%	3.1%	8.5%	7.6%	10.1%
<b>TOTAL</b>	<b>12.8%</b>	<b>13.1%</b>	<b>5.7%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.6%</b>

First Quarter 2004

**Source:** Grubb & Ellis Market Trends: 1999, 2000, 2001, 2002, 2003, and 2004 editions

**Table 11**  
**Commercial Office Vacancy Rates: 2004-**  
**Metropolitan Phoenix**

**Office Submarkets**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Downtown Phoenix North	27.7%					
Downtown Phoenix South	12.1%					
44 <sup>th</sup> Street Corridor	25.7%					
Sky Harbor Airport Area	21.7%					
Camelback Corridor	25.3%					
Chandler/Gilbert	29.8%					
Deer Valley/Airport	14.5%					
Glendale	17.8%					
Mesa Downtown	20.7%					
Mesa East	21.7%					
Midtown Phoenix	25.7%					
NW Phoenix	21.3%					
Paradise Valley	17.6%					
Scottsdale Airpark	16.7%					
Scottsdale North	14.1%					
Scottsdale South	17.2%					
Squaw Peak Corridor	21.4%					
Sun City	10.2%					
Superstition Corridor	15.6%					
Tempe	13.1%					
Tempe/South Chandler	27.2%					
West Phoenix	47.4%					
<b>TOTAL</b>	<b>21.2%</b>					

First Quarter 2004

**Sources:** Grubb & Ellis Market Trends: 2004 edition

## V. ASSESSED VALUATION/PROPERTY TAX

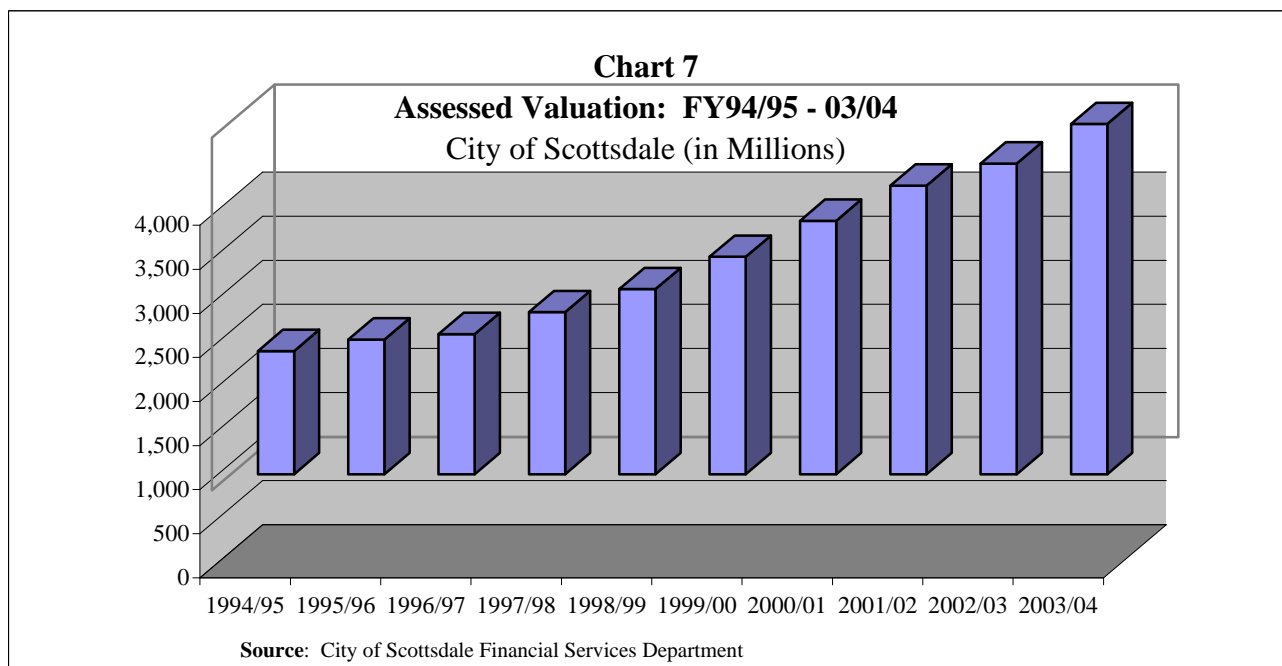
This section looks at growth in assessed valuation for Scottsdale, as compared to the rest of the metro Phoenix area. Assessed valuation (the total value of property and improvements) is an excellent measure of the economic health and vitality of a community; it also provides the basis for computation of property tax.

### Growth in Assessed Valuation

#### **Table 12 and Chart 7**

The secondary assessed valuation of property in Scottsdale has risen since FY 94/95 from \$1.4 billion to nearly \$4.0 billion in FY 2003/2004. This represents a 184 percent increase over a ten-year period.

During the eighties, the rate of increase was relatively constant. However, with the recession of the early nineties, total assessed valuation actually declined from FY92/93 to FY93/94. However, valuation increased by 17.5 percent in FY99/00 over the previous year, which may be the largest single increase ever in Scottsdale. Increases since FY94/95 reflect a rebound in assessed valuation due to a healthy, stable valuation environment coupled with new construction activity.



**Table 12**  
**Change in Assessed Valuation: FY94/95 - 03/04**

Fiscal Year	Total Net Secondary Assessed Valuation	Percent Change
1994/95	\$ 1,399,126,000	3.42%
1995/96	\$ 1,530,088,317	9.36%
1996/97	\$ 1,591,800,942	4.03%
1997/98	\$ 1,839,090,230	15.54%
1998/99	\$ 2,102,351,943	14.31%
1999/00	\$ 2,469,628,670	17.47%
2000/01	\$ 2,877,733,056	16.52%
2001/02	\$ 3,277,950,767	13.91%
2002/03	\$ 3,526,604,612	7.59%
2003/04	\$ 3,975,522,083	12.73%
<b>% Change FY 93/94 - FY 02/03:</b>		<b>184%</b>

**Sources:** City of Scottsdale Financial Services Department

**Notes:** Arizona secondary assessed valuations reflect the “full-cash” value of property; there are no restrictions on the growth rate of the values. As a comparison, primary assessed valuation are restricted in their growth rate; For the purposes of this study, secondary assessed valuations are used, as they tend to more accurately reflect actual market conditions.

### **Assessed Value Comparison**

Table 13 and 14, Chart 8

Table 13 presents a comparison of total assessed value per capita since FY 94/95 for the City of Scottsdale and Maricopa County. Assessed value per capita provides a more revealing look at the situation. Scottsdale’s assessed value per capita has been higher than the Maricopa County average for more than ten years. Not only is Scottsdale’s figure double than the rest of the metro area, but it is also increasing at a faster rate. This emphasizes that Scottsdale’s property values are growing at a faster rate than its population. As previously noted, Scottsdale has become more of a regional employment center with more commercial growth than residential growth. This commercial growth helps strengthen the economic base of the community and cushions the community from economic downturns.



**Table 13**  
**Total Assessed Valuation: FY94/95 - 03/04**  
(millions)

<b>Fiscal Year</b>	<b>City of Scottsdale</b>	<b>Maricopa County</b>
94/95	\$ 1,399	\$ 13,521
95/96	\$ 1,530	\$ 14,119
96/97	\$ 1,592	\$ 14,343
97/98	\$ 1,839	\$ 15,723
98/99	\$ 2,102	\$ 16,813
99/00	\$ 2,469	\$ 18,676
00/01	\$ 2,878	\$ 20,878
01/02	\$ 3,277	\$ 22,913
02/03	\$ 3,527	\$ 25,457
03/04	\$ 3,976	\$ 24,478

**Sources:** City of Scottsdale Financial Services Department; Maricopa County Finance Department

**Note:** Based on total net secondary assessed valuation figures.

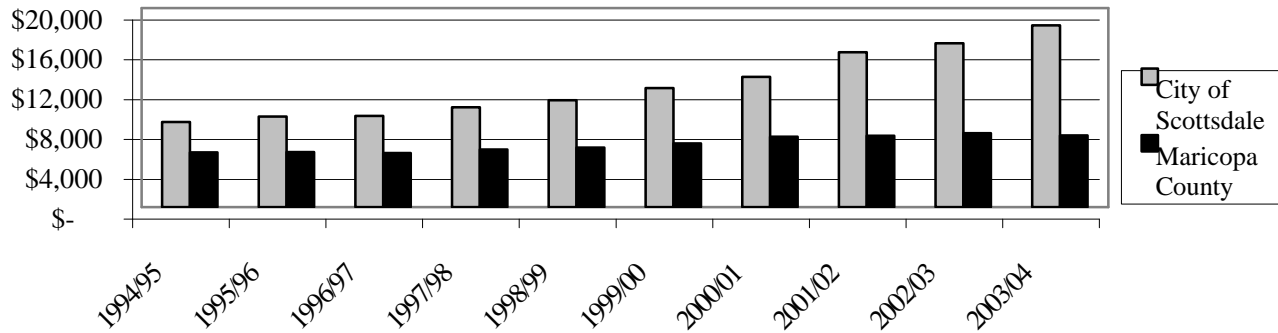
**Table 14**  
**Assessed Valuation Per Capita: FY94/95 - 03/04**

<b>Fiscal Year</b>	<b>City of Scottsdale</b>	<b>Maricopa County</b>
94/95	\$ 8,546	\$ 5,508
95/96	\$ 9,097	\$ 5,533
96/97	\$ 9,148	\$ 5,444
97/98	\$ 10,048	\$ 5,779
98/99	\$ 10,754	\$ 5,991
99/00	\$ 11,966	\$ 6,410
00/01	\$ 13,081	\$ 7,067
01/02	\$ 15,552	\$ 7,178
02/03	\$ 16,473	\$ 7,420
03/04	\$ 18,274	\$ 7,206

**Sources:** City of Scottsdale Financial Services Department, Maricopa County Finance Department

**Note:** Based on total net secondary assessed valuation figures.

**Chart 8**  
**Assessed Valuation Per Capita**  
**Scottsdale and Maricopa County**



Source: City of Scottsdale Financial Services, Maricopa County Finance Department

### **Property Tax Comparison**

Table 15

Presented on Table 15 is a comparison of the overall property tax rate, and the average annual property tax bills for Scottsdale and other major communities in the Phoenix metro area. On average, the property tax bill in other cities is about 40 percent higher than in Scottsdale. That would translate into an annual savings of about \$79,920 on a \$10,000,000 commercial building while on a \$100,000 single-family residence it would amount to an annual savings of \$320. Because of Scottsdale's strong economic base, taxes on local residents and businesses are lower than in other cities, while city service levels remain high.

**Table 15**  
**Property Tax Comparison**

City	School District	Rate	Variance from Scottsdale	Average Annual Property Tax Rate On:	
				\$100,000 Single Family House	\$10,000,000 Commercial Building
<b>Scottsdale</b>	Scottsdale 48*	\$ 9.88	0.0%	\$ 790	\$ 197,600
<b>Phoenix</b>	Phoenix 1	\$ 16.08	62.8%	\$ 1,286	\$ 312,600
	Wilson 7	\$ 18.33	85.5%	\$ 1,466	\$ 366,600
	Osborn 8	\$ 13.13	32.9%	\$ 1,050	\$ 262,600
	Creighton 14	\$ 14.37	45.4%	\$ 1,150	\$ 287,400
	Balsz 31	\$ 13.53	36.9%	\$ 1,082	\$ 270,600
	Madison 38	\$ 12.84	30.0%	\$ 1,027	\$ 256,800
	Paradise Valley 69	\$ 12.34	24.9%	\$ 987	\$ 246,800
	Deer Valley 97	\$ 13.22	33.8%	\$ 1,058	\$ 264,400
<b>Tempe</b>	Tempe 3*	\$ 12.25	24.0%	\$ 980	\$ 245,000
<b>Mesa</b>	Mesa 4*	\$ 10.83	9.6%	\$ 866	\$ 216,600
<b>Glendale</b>	Glendale 40	\$ 15.35	55.4%	\$ 1,228	\$ 307,000
<b>Chandler</b>	Chandler 80*	\$ 12.44	25.9%	\$ 995	\$ 248,800
<b>Gilbert</b>	Gilbert 41*	\$ 13.23	33.9%	\$ 1,058	\$ 264,600
<b>Peoria</b>	Peoria 11	\$ 13.60	37.7%	\$ 1,088	\$ 272,000

**Average Variance compared to Scottsdale: 38.5%**

**Source:** Arizona Department of Revenue, Econometrics Section 12/00

**Notes:** \* pay an additional levy for the East Valley Institute of Technology which is included in the rate.

- Main school district in each community was used for comparison

- A home with an actual market value of \$100,000 would be given full-cash value of approximately 80% of that (\$80,000); the residential assessment ratio is 10%, so the assessed value would be \$8,000.

- Not included in this analysis is the Homeowner's Rebate. Pursuant to ARS 15-972, the tax rate levied by school districts is reduced for homeowners, not to exceed \$500, through rebate.

- A commercial building with an actual market value of \$10,000,000 would be given a full-cash value of approximately 80% of that value (\$8,000,000); the commercial assessment ratio is 25%, so the assessed value would be \$2,000,000.

## VI. SALES TAX COLLECTIONS

Sales tax collections are very important to Scottsdale because the City receives a far greater percentage of revenue from sales taxes than other revenue sources. This section examines trends in sales tax collections, and compares those to other metro Phoenix area communities.

### **Growth in Adjusted Sales Tax Collections**

Table 16

Scottsdale's adjusted sales tax collections have risen at a rapid rate since FY94/95 from \$52.2 million to \$118.3 million in FY 03/04. FY03/04 sales tax collections were 6.7 percent above last year's.

### **Sales Tax Collection Comparisons**

Tables 16 to 18, Chart 9

Table 17 presents each of the major metro area cities' sales tax collections since FY92/93. Tax rates have changed for each city in the last decade.

- The City of Scottsdale's sales tax rate was 1.2 percent from FY90/91 through FY94/95, changed to 1.4 percent in July of 1995, and was increased to 1.65 percent in July 2004.
- Phoenix's sales tax rate, for the most part, was 1.2 percent from FY90/91 through FY93/94, changed to 1.3 percent in December of 1993, once again in November of 1998 to 1.4 percent, and is currently 1.8 percent as of June 2000.
- Tempe's sales tax rate was 1.0 percent from FY90/91 through FY91/92, changed to 1.2 percent from FY92/93 through FY95/96, and has been 1.8 percent since January 2001.
- Generally, Glendale's sales tax rate was 1.0 percent from FY90/91 through FY92/93, then increased to 1.3 percent in April of 1994, and is currently 1.8 percent since January 2002.
- Mesa's sales tax rate was 1.0 percent from FY90/91 through FY98/99 and increase to 1.5 percent in August of 1998.
- Chandler's tax rate was 1.0 percent in FY90/91 and was increased to 1.5 percent in May of 1994.
- Gilbert's sales tax rate has been 1.5 percent since sales tax revenue began to be recorded for FY99/00.
- Peoria's sales tax rate has been 1.5 percent since sales tax revenue began to be recorded for FY99/00

Chart 9 and Table 18 compare per capita sales tax collections; Scottsdale leads all other cities in per capita collections by a substantial margin. Prior to FY93/94 most of the other Valley communities, along with Scottsdale, showed very little change in sales tax collections. In FY94/95, however, strong increases in sales tax collections occurred in many Valley communities. The per capita sales tax comparison table shows population growth in a number of Valley communities off-setting gains in sales tax revenues.

Beginning with FY98/99, sales tax revenue calculations in this report were changed to reflect sales tax revenues collected exclusively for the General Fund. The reason for this change was to compare all cities' sales tax revenues on the same basis. This is a substantial change for the Phoenix sales tax revenues because in prior years, revenue that went to other funds was included in the total sales tax revenue figures.

**Table 16**  
**Growth in Sales Tax Collections: FY94/95 through 03/04**  
(compared on an adjusted 1% rate basis)

<b>Fiscal Year</b>	<b>Sales Tax Collections</b>	<b>Percent Change</b>
1994/95	\$52,237,294	16.2%
1995/96	\$66,827,503	27.9%
1996/97	\$74,729,359	11.8%
1997/98	\$84,825,508	13.5%
1998/99	\$97,780,147	15.3%
1999/00	\$108,033,945	10.5%
2000/01	\$113,538,992	5.1%
2001/02	\$111,760,545	-1.6%
2002/03	\$110,813,432	-0.9%
2003/04	\$118,271,696	6.7%

**Source:** City of Scottsdale Financial Services Department

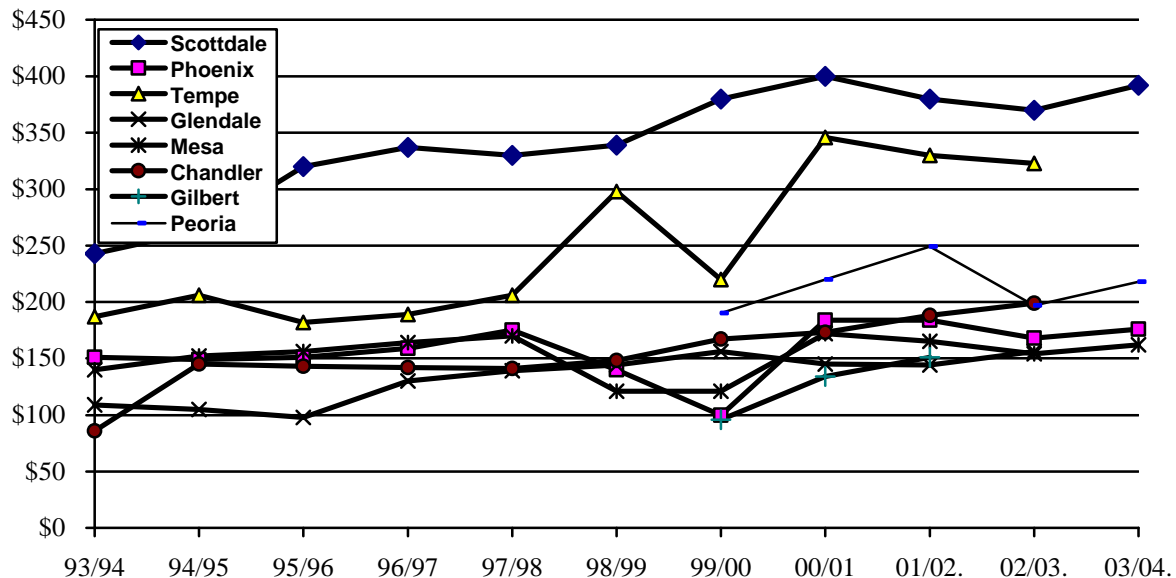
**Table 17**  
**Total Sales Tax Collections: FY94/95 through 03/04**  
(in millions)

Fiscal Year	Scottsdale	Phoenix	Mesa	Glendale	Chandler	Tempe	Gilbert	Peoria
94/95	\$ 52.2	\$ 209.9	\$ 50.1	\$ 23.6	\$ 27.8	\$ 45.7	NA	NA
95/96	\$ 68.1	\$ 288.4	\$ 54.6	\$ 24.9	\$ 30.1	\$ 48.4	NA	NA
96/97	\$ 75.7	\$ 296.3	\$ 57.4	\$ 32.3	\$ 32.2	\$ 50.8	NA	NA
97/98	\$ 85.9	\$ 317.8	\$ 62.9	\$ 36.5	\$ 35.0	\$ 56.7	NA	NA
98/99	\$ 98.3	\$ 254.4	\$ 66.4	\$ 39.8	\$ 41.4	\$ 57.5	NA	NA
99/00	\$ 108.1	\$ 223.8	\$ 70.7	\$ 42.9	\$ 44.4	\$ 60.5	\$ 15.8	\$ 22.5
00/01	\$ 113.5	\$ 480.5	\$ 102.3	\$ 44.6	\$ 50.5	\$ 98.9	\$ 25.1	\$ 26.2
01/02	\$ 111.7	\$ 477.0	\$ 102.6	\$ 51.6	\$ 57.7	\$ 94.6	\$ 28.7	\$ 29.1
02/03	\$ 110.8	\$ 478.6	\$ 98.9	\$ 63.7	\$ 58.0	\$ 92.7	NA	\$ 35.9
03/04	\$ 118.3	\$ 504.3	\$ 105.4					\$ 40.5

**Source:** City of Scottsdale Financial Services Department, and Economic Vitality Department

**Note:** Sales tax rate in Scottsdale increased by .2% on 1/1/90 to 1.2% and 7/1/95 to 1.4%.

**Chart 9**  
**Sales Tax Collections Per Capita**



**Source:** City of Scottsdale Economic Vitality Department

**Table 18**  
**Sales Tax Collections Per Capita**  
 (General fund collections adjusted to 1%)

<b>Year</b>	<b>Scottsdale</b>	<b>Phoenix</b>	<b>Tempe</b>	<b>Glendale</b>	<b>Mesa</b>	<b>Chandler</b>	<b>Gilbert</b>	<b>Peoria</b>
<b>92/93</b>	\$222	\$142	\$148	\$106	\$127	\$116	NA	NA
<b>93/94</b>	\$243	\$151	\$187	\$109	\$140	\$86	NA	NA
<b>94/95</b>	\$263	\$149	\$206	\$105	\$152	\$145	NA	NA
<b>95/96</b>	\$320	\$151	\$182	\$98	\$156	\$143	NA	NA
<b>96/97</b>	\$337	\$159	\$189	\$130	\$164	\$142	NA	NA
<b>97/98</b>	\$330	\$175	\$206	\$139	\$170	\$141	NA	NA
<b>98/99</b>	\$339	\$140	\$298	\$144	\$121	\$148	NA	NA
<b>99/00</b>	\$380	\$100	\$220	\$156	\$121	\$167	\$96	\$190
<b>00/01</b>	\$400	\$184	\$346	\$101	\$172	\$173	\$134	\$220
<b>01/02</b>	\$380	\$184	\$330	\$144	\$165	\$188	\$151	\$249
<b>02/03</b>	\$370	\$195	\$323	\$156	\$154	\$199	N/A	\$174
<b>03/04</b>	\$392	\$176	N/A	N/A	\$162	N/A	N/A	N/A

Source: City of Scottsdale Financial Services Department

## VII. OTHER INDICATORS

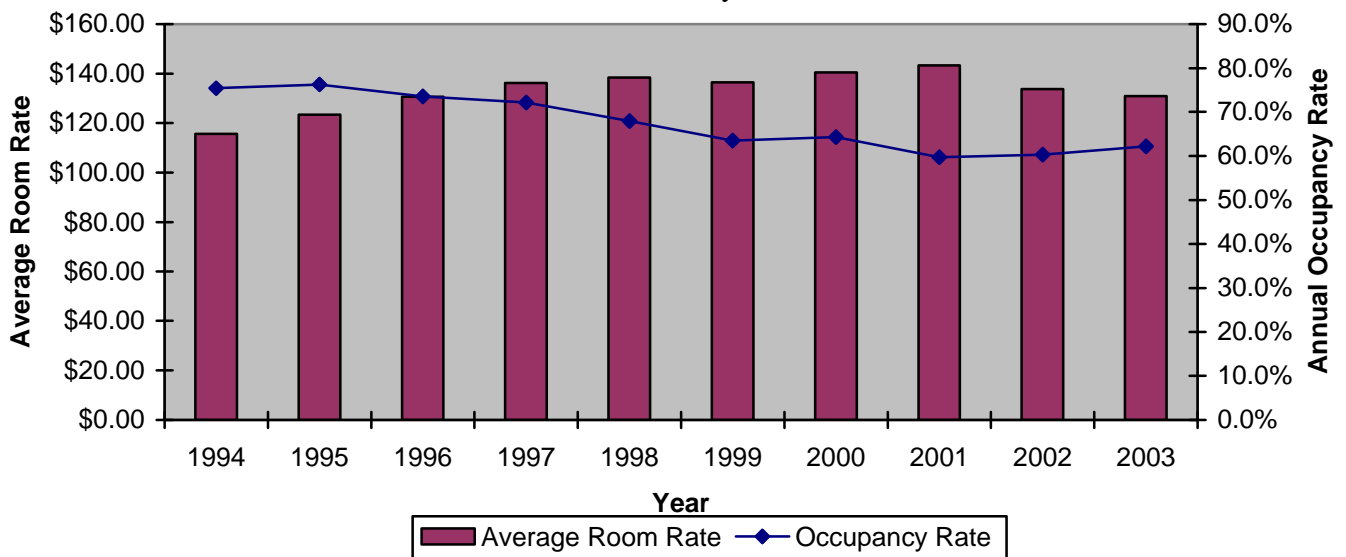
Two factors that have tremendous importance to the Scottsdale economy are tourism and education. Education has become a critical component in decisions on locating in a community, both in terms of labor force skills and quality of life for residents. Because these are such important components of the local economy, this section examines some general trends relating to those factors.

### Growth in Tourism

Chart 10 and Table 19

In 2003, 392 new hotel rooms were added to the Scottsdale/Paradise Valley market area due to construction and the additions to the market area. Smith Travel Research reported that Scottsdale's 2003 occupancy was 62.2 percent and the calculated average room rate was \$130.84. Occupancy has increased the last two years after a one-year decrease from 2000 to 2001. In 2003, bed tax revenues totaled \$6.7 million, a slight decrease from the previous year. Over the past ten years, total bed tax collections (3 percent of room revenues) have ranged from \$4.6 million in 1994 to \$7.6 million in 2000.

**Chart 10**  
**Average Room Rate vs. Occupancy Rates**  
Scottsdale/Paradise Valley Market Area



Source: Smith Travel Research  
"Scottsdale/Paradise Valley Tourism Study Part I: Lodging Statistics"



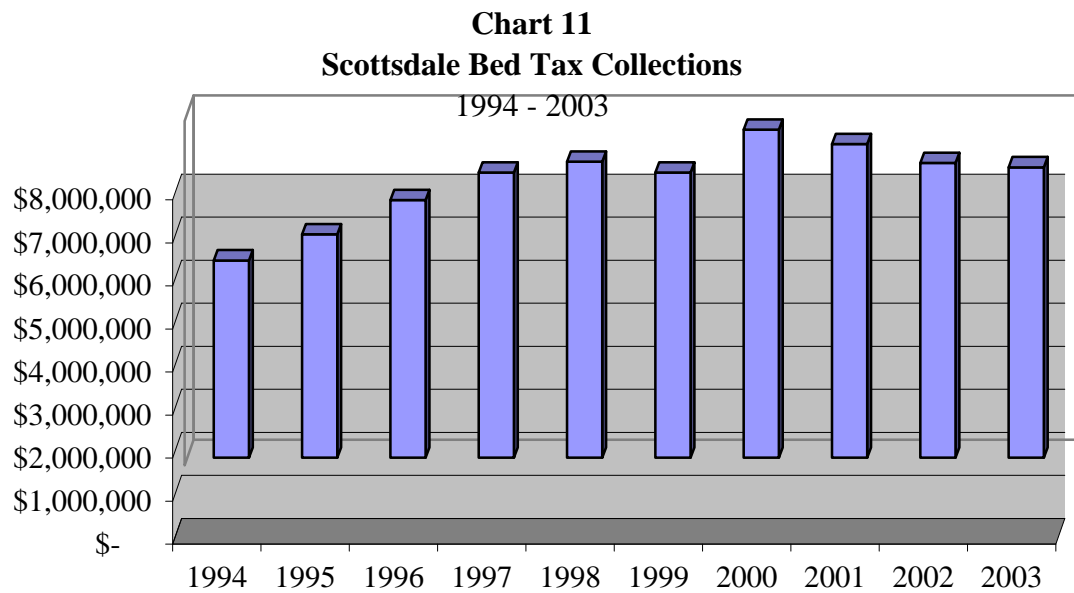
**Table 19**  
**Growth in Tourism**  
 1994 - 2003 Scottsdale/Paradise Valley Market Area

Year	Hotel Room Inventory	Average Room Rate	Average Occupancy Rate	Scottsdale Bed Tax Collections
1994	8,986	\$ 115.63	75.4%	\$ 4,582,890
1995	8,867	\$ 123.28	76.3%	\$ 5,187,265
1996	9,197	\$ 130.60	73.5%	\$ 5,986,818
1997	10,527	\$ 136.25	72.1%	\$ 6,623,444
1998	11,061	\$ 138.40	68.0%	\$ 6,878,352
1999	12,755	\$ 136.56	63.3%	\$ 6,626,424
2000	13,150	\$ 140.53	64.0%	\$ 7,619,693
2001	13,248	\$ 143.34	59.5%	\$ 7,283,608
2002	15,092	\$ 133.63	60.3%	\$ 6,847,846
2003	15,484	\$ 130.84	62.2%	\$ 6,746,859

Source: Smith Travel Research

Scottsdale/Paradise Valley Tourism Study Part I: Lodging Statistics; City of Scottsdale Economic Vitality Department

Bed tax collection figures represent Scottsdale hotels only.



Source: City of Scottsdale Tax Audit Department

## **Bond Rating**

A high bond rating reflects the credit industry's faith in Scottsdale's ability to repay outstanding debt. Higher rated bonds indicate less risk to prospective bond buyers, which translates to lower interest costs for the city and its citizens. Scottsdale's general obligation bond rating was upgraded to AAA by Fitch IBCA in 1999. In 2001, both Standard & Poor's Rating Service and Moody's Investor Service upgraded the City's rating to AAA. Scottsdale is one of only nine cities across the nation with a AAA rating.

Scottsdale's outstanding ratings reflect the quality of growth in the community and the City's ability to manage it. The City has substantial reserves set aside to combat an economic downturn, it has high property values and household incomes, and it has a strong financial management track record.

## **Educational Quality**

Table 20

The quality of education in a community is rapidly becoming one of the most important factors in decision making by companies looking to expand or relocate, because it directly impacts the quality of labor force. It also is a major factor in people's decision as to where to live, as everyone wants to provide the best education possible for their children.

The Scottsdale Unified School District consistently has been one of the highest rated school districts in the metro Phoenix area, with average standardized test scores comparable only to Cave Creek and Kyrene Elementary District. Although the Scottsdale School District boundaries do not completely correspond with the City limits of Scottsdale, approximately 92 percent of all school age children in Scottsdale are located within this district. The remaining children attend school in the Paradise Valley School District or Cave Creek School Districts, and both of these districts have high overall test scores.

**Table 20**  
**Selected Metro Phoenix School Districts**

School District	Enrollment Total as of 10/1/03	2002/03 Stanford 9 Achievement Test								
		Fourth Grade			Eighth Grade			Ninth Grade		
		Reading	Math	Language	Reading	Math	Language	Reading	Math	Language
<b>Scottsdale Unified</b>	27,328	78	80	70	73	74	72	60	78	61
<b>Cave Creek</b>	5,112	74	72	67	69	71	66	61	80	60
<b>Chandler</b>	26,128	64	65	57	60	63	62	51	75	56
<b>Deer Valley Unified</b>	30,045	68	75	62	66	73	65	50	68	50
<b>Glendale Elementary/ Glendale Union H.S.H</b>	13,074 14,230	33	35	33	36	39	30	46	71	52
<b>Mesa Unified</b>	75,266	66	72	58	60	71	58	53	77	56
<b>Paradise Valley Unified</b>	35,064	69	72	63	63	71	62	54	70	55
<b>Phoenix Elementary/ Phoenix Union H.S.D.</b>	8,593 23,644	32	39	35	45	55	42	30	48	31
<b>Kyrene Elementary/ Tempe Union H.S.D.</b>	18,788 13,393	74	78	65	71	75	69	53	74	51
<b>Maricopa County</b>	600,577	59	62	54	58	63	55	46	67	47
<b>Arizona</b>	978,128	57	60	52	56	61	53	44	63	44
<b>US</b>	53,000,000	50	50	50	50	50	50	50	50	50

**Source:** Arizona Department of Education, 2002/03 Stanford 9 Achievement Test

Numerous elementary school districts feed into high schools; one elementary school district was selected for comparison table.

## VIII. ECONOMIC OUTLOOK

This section summarizes recent economic forecasts of the Blue Chip Panel of the Bank One Economic Outlook Center. This panel is composed of economists from a variety of major public and private sector organizations that track economic trends and provide a monthly forecast for Arizona and the greater Phoenix area. Tables 21 and 22 outline a series of economic indicators, and the most recent forecasts made by this group for anticipated changes for 2004 and 2005.

### **Economic Forecast**

Tables 21 and 22

**Employment:** Wage and salary employment growth is expected to increase in the Phoenix metro area, which continues the recovery started early in 2003. A 3.6 percent increase in employment is expected in 2004, continuing the recovery from two years of negative growth. Increased employment is a result of the forecasted resurgence of the national economy.

**Real Estate:** Population and employment figures are increasing slightly. With that, real estate construction will decrease slightly in the Phoenix area during 2004. More than 38,000 single-family permits are projected in 2004, down from 39,652 in 2003.

Office construction is expected to decrease slightly to 800,000 thousand square feet in 2004, from 1.1 million square feet in 2003. Office vacancy rates should decline slightly. The industrial market will decrease from 3.4 million square feet constructed in 2003 to 2.2 million square feet in 2004. Industrial vacancy rates are also expected to decline. Retail construction is expected to increase in 2004, to 3.4 million square feet built in the Phoenix Metro area, with vacancy rates around 9.0 percent for 2004.

**Economy:** The local economy continues to be driven by population growth. However, that rate of growth is slowing. The prediction for the next ten years is for less growth than the previous ten years. But, the metropolitan area will continue to rank among the top ten large metro areas in the country.

**Table 21**  
**Economic Forecast**  
**State of Arizona and Metropolitan Phoenix**  
Blue Chip Panel - Arizona State University

<b>Growth Indicator</b>	<b>Economic Forecast for 2004</b>	<b>Economic Forecast for 2005</b>
	<b>(Versus 2003)</b>	<b>(Versus 2004)</b>
<b>Population Growth</b>		
Arizona:	2.8%	2.9%
Greater Phoenix:	2.6%	2.7%
<b>Current Personal Income</b>		
Arizona:	6.9%	7.2%
Greater Phoenix:	5.7%	6.4%
<b>Retail Sales</b>		
Arizona:	6.4%	6.7%
Greater Phoenix:	5.1%	5.9%
<b>Wage &amp; Salary Employment Growth</b>		
Arizona:	3.6%	3.9%
Greater Phoenix:	2.5%	3.4%
<b>Mfg. Employment</b>		
Arizona:	2.1%	3.0%
Greater Phoenix:	1.1%	2.0%
<b>AZ Real Personal Income</b>	5.0%	5.2%
<b>AZ Single-family Units</b>	0.4%	-0.9%
<b>US GDP Deflator</b>	1.9%	2.0%

Source: College of Business, Arizona State University June 2004

**Table 22**  
**Economic Outlook**  
**State of Arizona and Metropolitan Phoenix**  
 Blue Chip Panel – Arizona State University

<b>Economic Indicator</b>	<b>Average Rate for 2004</b>
Unemployment Rate	
Arizona:	4.8%
Greater Phoenix:	4.4%
Avg. US 3 Mo. T-Bill Rate:	1.5%
Avg. US 10 Yr. Treas. Notes:	4.7%

**Sources:** Arizona Blue Chip Economic Forecast, compiled and published by the Bank One Economic Outlook Center, College of Business, Arizona State University, June 2004  
 Greater Phoenix Blue Economic Forecast, compiled and published by the Bank One Economic Outlook Center, College of Business, Arizona States University, November 03